

Assembly Bill No. 935

CHAPTER 881

An act to add Article 12 (commencing with Section 69740) to Chapter 2 of Part 42 of the Education Code, relating to higher education loan assistance.

[Approved by Governor October 13, 2001. Filed
with Secretary of State October 14, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

AB 935, Hertzberg. Public Interest Attorney Loan Repayment Program.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

This bill would establish the Public Interest Attorney Loan Repayment Program for licensed attorneys who practice or agree to practice in public interest areas of the law, as defined, and who meet other designated criteria. The program would be administered by the Student Aid Commission, which would be authorized to make 3,000 awards of loan assumption annually, as prescribed.

The bill would create the Public Interest Attorney Loan Repayment Endowment Account in the State Treasury, which would consist of funds appropriated by the Legislature for the program and private contributions to the program.

The people of the State of California do enact as follows:

SECTION 1. It is the intent of the Legislature to provide access to legal education and to meet the needs of the State of California in areas of law related to the public interest. The Legislature finds that the high cost of attending law school requires that attorneys command high incomes to repay the financial obligations incurred in obtaining the required training and that, consequently, few attorneys are able to practice in areas of law relating to the public interest because the pay is substantially lower than the pay in other practice areas. The Legislature finds that encouraging outstanding law students and attorneys to practice in areas of the law related to the public interest is essential to ensuring access to legal services in those areas. Therefore, it is the intent of the Legislature in enacting this act to provide for the partial or full repayment

of educational loans of attorneys who provide legal services in California in a public interest area of the law.

SEC. 2. Article 12 (commencing with Section 69740) is added to Chapter 2 of Part 42 of the Education Code, to read:

Article 12. Public Interest Attorney Loan Repayment Program

69740. Unless the context requires otherwise, the definitions in this section govern the construction of this article.

(a) “Commission” means the Student Aid Commission.

(b) “Eligible education and training programs” means education and training programs approved by the commission that lead to eligibility for a license to practice law as a licensed attorney.

(c) “Eligible expenses” means reasonable expenses associated with the costs of acquiring an education such as tuition, books, equipment, fees, room and board, and other expenses determined by the commission.

(d) “Eligible participant” means a licensed attorney who has been admitted to the program and is a resident of this state and who can provide proof of residency in this state.

(e) “Licensed attorney” means an attorney who resides in this state who has successfully passed the California bar examination and has been admitted to practice in this state or has otherwise been licensed to practice law in this state by the State Bar of California.

(f) “Loan repayment” means a loan that is paid in full or in part if the participant renders legal services in this state in a public interest area of the law.

(g) “Participant” means a licensed attorney who has been admitted to the program and has commenced practice as a licensed attorney in this state in a public interest area of the law.

(h) “Program” means the Public Interest Attorney Loan Repayment Program.

(i) “Public interest area of the law” means those areas of the law determined by the commission, in consultation with the advisory committee, to serve the public interest, including, but not necessarily limited to, providing direct legal service at a local (1) legal services organization, (2) prosecuting attorney’s office, (3) child support agency office, or (4) criminal public defender’s office. For the purposes of this article, a “legal services organization” is a legal services provider in California that serves a clientele over 70 percent of whom are low-income persons according to applicable federal income guidelines.



(j) “Required service obligation” means an obligation by the participant to provide legal services in this state in a public interest area of the law as established pursuant to this article.

69741. The Public Interest Attorney Loan Repayment Program is established for licensed attorneys who practice or agree to practice in public interest areas of the law in this state. The program shall be administered by the commission.

69741.5. The commission is limited to making 3,000 awards of loan assumption annually. Participants are eligible for a maximum of eleven thousand dollars (\$11,000) in loan assistance for four years, as follows:

(a) For the first year, two thousand dollars (\$2,000) in loan repayment assistance.

(b) For the second, third, and fourth years, three thousand dollars (\$3,000) in loan repayment assistance for each year.

69742. (a) The commission shall establish eligibility criteria for participation in the program based upon need and merit. These criteria shall be based on all of the following, which are set forth in order of importance:

(1) The applicant’s need, which shall be based on the applicant’s salary, personal resources, and law school debt.

(2) The applicant’s commitment to public interest law, which shall be determined by examining the applicant’s employment and volunteer history, and taking into consideration a low-income applicant’s need to work while in law school.

(3) The applicant’s declared interest in practicing in areas of the state where the need for public interest attorneys is high.

(4) The applicant’s academic achievements.

(b) The commission shall adopt initial regulations for the program within one year of the effective date of the initial appropriation funding the program.

69743. The program is intended to supplement, and not to replace, existing loan repayment programs operated by law schools. Prior to participating in the program, an applicant shall apply for any educational loan assistance from his or her educational institution for which he or she may qualify. Only if an applicant has received no loan repayment assistance, or only partial assistance, from other available sources, may he or she apply to the program for assistance in repaying the balance of his or her educational loans.

69743.5. The commission shall select, from the qualified applicants, the individuals who are eligible to participate in the program. After each year-long period of full-time, or full-time equivalent, employment in a public interest area of the law, the loan repayment of the eligible participant shall be made to the lender.



69744. The commission may use the funds appropriated for the program, including reasonable administrative costs, for the purposes of loan repayments. The commission shall annually establish the total amount of funding to be awarded for loan repayments. Allocation of funds shall be established based upon the best use of funding for that year, as determined by the commission.

69745. (a) Loans from both government sources and financial institutions may be repaid by the program. Each participant shall agree to allow the commission access to loan records and to acquire information from lenders necessary to verify eligibility and to determine payments. Loans may not be renegotiated with lenders to accelerate repayment.

(b) Payments shall be made annually to the lender until the loan is repaid, fulfilled, or until the required service obligation is fulfilled and eligibility discontinues, whichever comes first.

(c) If the participant discontinues practicing in a public interest area of the law, payments against the loans of the participant shall cease to be effective on the date that the participant discontinues service.

69746. The commission is not responsible for any outstanding payments on principal and interest to any lender once a participant's eligibility expires.

69747. (a) The Public Interest Attorney Loan Repayment Endowment Account is created in the State Treasury.

(b) The commission shall deposit in the account all money received for the program. The account shall be self-sustaining and consist of funds appropriated by the Legislature for the program and private contributions to the program.

(c) With the exception of the operating costs associated with the management of the account by the Treasurer, the account shall be credited with all investment income earned by the account.

69748. (a) The Treasurer may invest, reinvest, manage, contract, sell, or exchange money in the account. Except as provided in subdivision (d) of Section 69747, earnings from the investment of the money in the account shall be retained by the account.

(b) Money in the account may be spent only for the purposes of the program as specified in this article.

(c) The Treasurer shall routinely consult and communicate with the commission on the investment policy, earnings of the trust, and related needs of the program.